

AGENDA
SPECIAL MEETING
CITY OF SUN VALLEY IMPACT FEE ADVISORY COMMITTEE
SEPTEMBER 23RD, 2021 AT 10:00 AM

COVID-19 NOTICE: *Social distancing will be enforced, and facial coverings are required per Public Health Order 2021-01.*

CALL TO ORDER

ROLL CALL

ACTION/DISCUSSION

1. Review and possible approval of Draft Impact Fee Study & Capital Improvement Plan*

ADJOURNMENT

* Indicates an Action Item as required by Idaho Code 74-204 (4).

*Please Note: The agenda is subject to revisions.
Anyone needing assistance to attend or participate should contact Sun Valley City Hall prior to the meeting at 208-622-4438.*

DRAFT REPORT

September 16, 2021

**City of Sun Valley, Idaho
Impact Fee Study and
Capital Improvement Plan**

Prepared for

City of Sun Valley
81 Elkhorn Road
Sun Valley, ID 83353

Prepared By

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Section I.

Introduction

This report regarding impact fees for the City of Sun Valley, Idaho is organized into the following sections:

- An overview of the report’s background and objectives;
- A definition of impact fees and a discussion of their appropriate use;
- An overview of land use and demographics;
- A step-by-step calculation of impact fees under the Capital Improvement Plan (CIP) approach;
- A list of implementation recommendations; and
- A brief summary of conclusions. Each section follows sequentially.

Background and Objectives

The City of Sun Valley, Idaho (City) hired Galena Consulting to calculate impact fees for the City’s Police and Fire Departments.

This document presents impact fees based on the City’s demographic data and infrastructure costs before credit adjustment; calculates the City’s monetary participation; examines the likely cash flow produced by the recommended fee amount; and outlines specific fee implementation recommendations. Credits can be granted on a case-by-case basis; these credits are assessed when each individual building permit is pulled.

Definition of Impact Fees

Impact fees are one-time assessments established by local governments to assist with the provision of Capital Improvements necessitated by new growth and development. Impact fees are governed by principles established in Title 67, Chapter 82, Idaho Code, known as the Idaho Development Impact Fee Act (Impact Fee Act) which specifically gives cities, towns and counties the authority to levy impact fees. The Idaho Code defines an impact fee as “... a payment of money imposed as a condition of development approval to pay for a proportionate share of the cost of system improvements needed to serve development.”¹

Purpose of impact fees. The Impact Fee Act includes the legislative finding that “... an equitable program for planning and financing public facilities needed to serve new growth and development is necessary in order to promote and accommodate orderly growth and development and to protect the public health, safety and general welfare of the citizens of the state of Idaho.”²

Idaho fee restrictions and requirements. The Impact Fee Act places numerous restrictions on the calculation and use of impact fees, all of which help ensure that local governments adopt impact fees that are consistent with federal law.³ Some of those restrictions include:

- Impact fees shall not be used for any purpose other than to defray system improvement costs incurred to provide additional public facilities to serve new growth;⁴
- Impact fees must be expended within 8 years from the date they are collected. Fees may be held in certain circumstances beyond the 8-year time limit if the governmental entity can provide reasonable cause;⁵
- Impact fees must not exceed the proportionate share of the cost of capital improvements needed to serve new growth and development;⁶
- Impact fees must be maintained in one or more interest-bearing accounts within the capital projects fund.⁷

¹ See Section 67-8203(9), Idaho Code. “System improvements” are capital improvements (i.e., improvements with a useful life of 10 years or more) that, in addition to a long life, increase the service capacity of a public facility. Public facilities include: parks, open space and recreation areas, and related capital improvements; and public safety facilities, including law enforcement, fire, emergency medical and rescue facilities. See Sections 67-8203(3), (24) and (28), Idaho Code.

² See Section 67-8202, Idaho Code.

³ As explained further in this study, proportionality is the foundation of a defensible impact fee. To meet substantive due process requirements, an impact fee must provide a rational relationship (or nexus) between the impact fee assessed against new development and the actual need for additional capital improvements. An impact fee must substantially advance legitimate local government interests. This relationship must be of “rough proportionality.” Adequate consideration of the factors outlined in Section 67-8207(2) ensure that rough proportionality is reached. See *Banbury Development Corp. v. South Jordan*, 631 P.2d 899 (1981); *Dollan v. City of Tigard*, 512 U.S. 374 (1994).

⁴ See Sections 67-8202(4) and 67-8203(29), Idaho Code.

⁵ See Section 67-8210(4), Idaho Code.

⁶ See Sections 67-8204(1) and 67-8207, Idaho Code.

⁷ See Section 67-8210(1), Idaho Code.

In addition, the Impact Fee Act requires the following:

- Establishment of and consultation with a development impact fee advisory committee (Advisory Committee);⁸
- Identification of all existing public facilities;
- Determination of a standardized measure (or service unit) of consumption of public facilities;
- Identification of the current level of service that existing public facilities provide;
- Identification of the deficiencies in the existing public facilities;
- Forecast of residential and nonresidential growth;⁹
- Identification of the growth-related portion of the Police and Fire Capital Improvement Plans;¹⁰
- Analysis of cash flow stemming from impact fees and other capital improvement funding sources;¹¹
- Implementation of recommendations such as impact fee credits, how impact fee revenues should be accounted for, and how the impact fees should be updated over time;¹²
- Preparation and adoption of a Capital Improvement Plan pursuant to state law and public hearings regarding the same;¹³ and
- Preparation and adoption of a resolution authorizing impact fees pursuant to state law and public hearings regarding the same.¹⁴

How should fees be calculated? State law requires the City to implement the Capital Improvement Plan methodology to calculate impact fees. The City can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the City to describe its service areas, forecast the land uses, densities and population that are expected to occur in those service areas over the 10-year CIP time horizon, and identify the capital improvements that will be needed to serve the forecasted growth at the planned levels of service, assuming the planned levels of service do not exceed the current levels of service.

⁸ See Section 67-8205, Idaho Code.

⁹ See Section 67-8206(2), Idaho Code.

¹⁰ See Section 67-8208, Idaho Code.

¹¹ See Section 67-8207, Idaho Code.

¹² See Sections 67-8209 and 67-8210, Idaho Code.

¹³ See Section 67-8208, Idaho Code.

¹⁴ See Sections 67-8204 and 67-8206, Idaho Code.

Only those items identified as growth-related on the CIP are eligible to be funded by impact fees.¹⁵ This list and cost of capital improvements constitutes the capital improvement element to be adopted as part of the City’s individual Comprehensive Plan.¹⁶

The City intending to adopt an impact fee must first prepare a capital improvements plan.¹⁷ To ensure that impact fees are adopted and spent for capital improvements in support of the community’s needs and planning goals, the Impact Fee Act establishes a link between the authority to charge impact fees and certain planning requirements of Idaho’s Local Land Use Planning Act (LLUPA). The local government must have adopted a comprehensive plan per LLUPA procedures, and that comprehensive plan must be updated to include a current capital improvement element.¹⁸ This study considers the planned capital improvements for the ten-year period from 2021 to the end of 2030 that will need to be adopted as an element the City’s Comprehensive Plan.

Once the essential capital planning has taken place, impact fees can be calculated. The Impact Fee Act places many restrictions on the way impact fees are calculated and spent, particularly via the principal that local governments cannot charge new development more than a “proportionate share” of the cost of public facilities to serve that new growth. “Proportionate share” is defined as “. . . that portion of the cost of system improvements . . . which reasonably relates to the service demands and needs of the project.”¹⁹ Practically, this concept requires the City to carefully project future growth and estimate capital improvement costs so that it prepares reasonable and defensible impact fee schedules.

The proportionate share concept is designed to ensure that impact fees are calculated by measuring the needs created for capital improvements by development being charged the impact fee; do not exceed the cost of such improvements; and are “earmarked” to fund growth-related capital improvements to benefit those that pay the impact fees.

There are various approaches to calculating impact fees and to crediting new development for past and future contributions made toward system improvements. The Impact Fee Act does not specify a single type of fee calculation, but it does specify that the formula be “reasonable and fair.” Impact fees should take into account the following:

¹⁵ As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, Galena Consulting also calculated the City’s current level of service by quantifying the City’s current investment in capital improvements for each impact fee category, allocating a portion of these assets to residential and nonresidential development, and dividing the resulting amount by current housing units (residential fees) or current square footage (nonresidential fees). By using current assets to denote the current service standard, this methodology guards against using fees to correct existing deficiencies.

¹⁶ See Sections 67-8203(4) and 67-8208, Idaho Code.

¹⁷ See Section 67-8208, Idaho Code.

¹⁸ See Sections 67-8203(4) and 67-8208, Idaho Code.

¹⁹ See Section 67-8203(23), Idaho Code.

- Any appropriate credit, offset or contribution of money, dedication of land, or construction of system improvements;
- Payments reasonably anticipated to be made by or as a result of a new development in the form of user fees and debt service payments;
- That portion of general tax and other revenues allocated by the City to growth-related system improvements; and
- All other available sources of funding such system improvements.²⁰

Through data analysis and interviews with the City and Galena Consulting identified the share of each capital improvement needed to serve growth. The total projected capital improvements needed to serve growth are then allocated to residential and nonresidential development with the resulting amounts divided by the appropriate growth projections from 2021 to 2031. This is consistent with the Impact Fee Act.²¹ Among the advantages of the CIP approach is its establishment of a spending plan to give developers and new residents more certainty about the use of the particular impact fee revenues.

Other fee calculation considerations. The basic CIP methodology used in the fee calculations is presented above. However, implementing this methodology requires a number of decisions. The considerations accounted for in the fee calculations include the following:

- Allocation of costs is made using a service unit which is “a standard measure of consumption, use, generation or discharge attributable to an individual unit²² of development calculated in accordance with generally accepted engineering or planning standards for a particular category of capital improvement.”²³ The service units chosen by the study team for every fee calculation in this study are linked directly to residential dwelling units and nonresidential development square feet.²⁴
- A second consideration involves refinement of cost allocations to different land uses. According to Idaho Code, the CIP must include a “conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial.”²⁵ In this analysis, the study team has chosen to use the highest level of detail supportable by available data and, as a result, in this study, every impact fee is allocated between aggregated residential (i.e., all forms of residential housing) and nonresidential development (all nonresidential uses including retail, office and industrial).

²⁰ See Section 67-8207, Idaho Code.

²¹ The impact fee that can be charged to each service unit (in this study, residential dwelling units and nonresidential square feet) cannot exceed the amount determined by dividing the cost of capital improvements attributable to new development (in order to provide an adopted service level) by the total number of service units attributable to new development. See Sections 67-8204(16), 67-8208(1)(f) and 67-8208(1)(g), Idaho Code.

²² See Section 67-8203(27), Idaho Code.

²³ See Section 67-8203(27), Idaho Code.

²⁴ The construction of detached garages alongside residential units does not typically trigger the payment of additional impact fees unless that structure will be the site of a home-based business with significant outside employment.

²⁵ See Section 67-8208(1)(e), Idaho Code.

Current Assets and Capital Improvement Plans

The CIP approach estimates future capital improvement investments required to serve growth over a fixed period of time. The Impact Fee Act calls for the CIP to “. . . project demand for system improvements required by new service units . . . over a reasonable period of time not to exceed 20 years.”²⁶ The impact fee study team recommends a 10-year time period based on the City’s best available capital planning data.

The types of costs eligible for inclusion in this calculation include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at planned and/or adopted service levels.²⁷ Equipment and vehicles with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.²⁸ The total cost of improvements over the 10 years is referred to as the “CIP Value” throughout this report. The cost of this impact fee study is also impact fee eligible for all impact fee categories. Each fee category was charged its pro-rated percentage of the cost of the impact fee study.

The forward-looking 10-year CIPs for Sun Valley’s Police and Fire Departments include some facilities that are only partially necessitated by growth (e.g., expansion). The study team met with the City to determine a defensible metric for including a portion of these facilities in the impact fee calculations. A general methodology used to determine this metric is discussed below. In some cases, a more specific metric was used to identify the growth-related portion of such improvements. In these cases, notations were made in the applicable section.

Fee Calculation

In accordance with the CIP approach described above, we calculated fees for each department by answering the following seven questions:

1. **Who is currently served by the City?** This includes the number of residents as well as residential and nonresidential land uses.
2. **What is the current level of service provided by the City?** Since an important purpose of impact fees is to help the City *achieve* its planned level of service²⁹, it is necessary to know the levels of service it is currently providing to the community.
3. **What current assets allow the City to provide this level of service?** This provides a current inventory of assets used by the City, such as facilities, land and equipment. In addition, each asset’s replacement value was calculated and summed to determine the total value of the Police and Fire Departments’ current capital assets.

²⁶ See Section 67-8208(1)(h).

²⁷ This assumes the planned levels of service do not exceed the current levels of service.

²⁸ The Impact Fee Act allows a broad range of improvements to be considered as “capital” improvements, so long as the improvements have useful life of at least 10 years and also increase the service capacity of public facilities. See Sections 67- 8203(28) and 50-1703, Idaho Code.

²⁹ This assumes that the planned level of service does not exceed the current level of service.

4. **What is the current investment per residential and nonresidential land use?** In other words, how much of each service provider’s current assets’ total value is needed to serve current residential households and nonresidential square feet?
5. **What future growth is expected in the City?** How many new residential households and nonresidential square footage will the City serve over the CIP period?
6. **What new infrastructure is required to serve future growth?** For example, how many new engines will be needed by the City of Sun Valley Fire Department within the next ten years to achieve the planned level of service of the City?³⁰
7. **What impact fee is required to pay for the new infrastructure?** We calculated an apportionment of new infrastructure costs to future residential and nonresidential land- uses for the City. Then, using this distribution, the impact fees were determined.

Addressing these seven questions, in order, provides the most effective and logical way to calculate impact fees for the City. In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

Growth Relation

In Sun Valley, as in any local government, not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities e.g., standard periodic investment in existing facilities such as roofing. These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded training facility). These costs *are generally not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new fire station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why the City invests in capital projects, the study team categorized all projects listed in each CIP:

- **Growth.** To determine if a project is solely related to growth, we asked “Is this project designed to maintain the current level of service as growth occurs?” and “Would the City still need this capital project if it weren’t growing at all?” Growth projects are only necessary to maintain the City’s current level of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.
- **Repair & Replacement.** We asked “Is this project related only to fixing existing infrastructure?” and “Would the City still need it if it weren’t growing at all?” Repair and Replacement projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

³⁰ This assumes the planned level of service does not exceed the current level of service.

- **Upgrade.** We asked, “Would this project improve the City’s current level of service?” and “Would the City still do it even if it weren’t growing at all?” Upgrade projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.
- **Mixed.** Mixed projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects can be determined to be “mixed,” with some aspects of growth and others aspects of repair and replacement. In these situations, only a portion of the total cost of each project is included in the final impact fee calculation.

It should be understood that growth is expected to pay only the portion of the cost of capital improvements that are growth-related. The City will need to plan to fund the pro rata share of these partially growth-related capital improvements with revenue sources other than impact fees within the time frame that impact fees must be spent. These values will be calculated and discussed in Section V of this report.

Exhibits found in Sections III and IV of this report detail capital improvements planned for purchase over the next ten years by the City for the Police and Fire Departments.

Section II. Land Uses

As noted in Section I, it is necessary to allocate capital improvement plan (CIP) costs to both residential and nonresidential development when calculating impact fees. The study team performed this allocation based on the number of projected new households and nonresidential square footage projected to be added from 2021 through 2031 for the City. These projections were based on current growth estimates from the U.S. Census and the American Community Survey; the Sun Valley Comprehensive Plan; building permit history; conversations with the Sun Valley Resort; and recommendations from City Staff.

Demographic and land-use projections are some of the most variable and potentially debatable components of an impact fee study, and in all likelihood the projections used in our study will not prove to be 100 percent correct. The purpose of the Advisory Committee’s annual review is to account for these inconsistencies. As each CIP is tied to the City’s land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

The following Exhibit II-1 presents the current and future number of residential units and nonresidential square feet for the City.

**Exhibit II-1.
Current and Future Land Uses, Sun Valley, Idaho**

	2021	2031	Net Growth	Net Growth in Square Feet ⁽¹⁾	Percent of Total Growth in SF
Residential (in units)	2,657	2,957	300	672,120	77%
Nonresidential (in square feet)	727,126	927,126	200,000	200,000	23%
			Total Square Footage Growth =	872,120	100%

As shown above, Sun Valley is expected to grow by approximately 300 residential units and 200,000 nonresidential square feet over the next ten years. Seventy-seven percent of this growth is attributable to residential land uses, while the remaining twenty-three percent is attributable to nonresidential growth. These growth projections will be used in the following sections to calculate the appropriate impact fees for the City.

Section III. Police Department

In this section, we calculate impact fees for the City of Sun Valley Police Department following the seven-question method outlined in Section I of this report.

1. Who is currently served by the City of Sun Valley Police Department?

As shown in Exhibit II-1, the Police Department currently serves 2,656 residential units and approximately 727,126 square feet of nonresidential land use found within Sun Valley.

2. What is the current level of service provided by the Police Department?

The Sun Valley Police Department currently provides a level of service of 8 sworn officers per 1,000 Sun Valley residents. This was calculated by dividing 12 current officers by the current population of 1,500/1,000. As the City grows, additional infrastructure and equipment will be needed to retain the Department's level of service.

3. What current assets allow the Sun Valley Police Department to provide this level of service?

The following Exhibit III-1 displays the current assets of the Sun Valley Police Department.

Exhibit III-1. Current Assets – Sun Valley Police Department

Type of Capital Infrastructure	Square Feet	Replacement Value
Facilities		
Patrol Work Station/Lockers	300	\$ 170,000
Evidence Storage	130	\$ 65,000
Parking	1,700	\$ 800,000
Equipment		
8 shotguns		\$ 2,690
12 duty weapons		\$ 5,628
8 patrol rifles		\$ 4,928
12 handheld radios		\$ 42,000
	2,130	\$ 1,090,246
Plus Impact Fee Study		\$ 10,000
TOTAL CURRENT INVESTMENT		\$ 1,100,246

As shown above, the Police Department currently owns over \$1.1 million of eligible current assets. These assets are used to provide the Department's current level of service.

4. What is the current investment per residential unit and nonresidential square foot for the Sun Valley Police Department?

The City has already invested \$369 per residential unit and \$0.16 per nonresidential square foot in order to provide the current level of service. This figure is derived by allocating the value of the Police Department’s current assets between the current number of residential units and nonresidential square feet.

We will compare our final impact fee calculations with these figures to determine if the two results will be similar; this represents a “check” to see if future residents will be paying for infrastructure at a level commensurate with what existing residents have invested in infrastructure.

5. What future growth is expected in Sun Valley?

As shown in Exhibit II-1, the City of Sun Valley is expected to grow 300 residential units and 200,000 square feet of nonresidential land use over the next ten years.

6. What new infrastructure is required to serve future growth?

The following Exhibit III-2 displays the capital improvements needed to support growth by the Sun Valley Police Department over the next ten years.

**Exhibit III-2.
Sun Valley Police Department CIP 2021-2030**

Type of Capital Infrastructure	Square Feet	CIP Value	Growth Portion	Amount to Include in Fees	Amount from Other Sources
Facilities					
Expansion of administrative space	200	\$ 100,000	75%	\$ 75,000	\$ 25,000
Vehicles					
Replace 8 patrol vehicles		\$ 504,000	0%	\$ -	\$ 504,000
Equipment					
New weaponry and radios for growth-related officers		\$ 14,766	100%	\$ 14,766	\$ -
Replace shotguns		\$ 2,696	0%	\$ -	\$ 2,696
Replace duty weapons		\$ 5,628	0%	\$ -	\$ 5,628
Replace rifles		\$ 4,928	0%	\$ -	\$ 4,928
Replace handheld radios		\$ 42,000	0%	\$ -	\$ 42,000
SUBTOTAL		\$ 674,018		\$ 89,766	\$ 584,252
Plus Cost of Capital-Related Research					
Impact Fee Study		\$ 10,000	100%	\$ 10,000	\$ -
TOTAL		\$ 684,018		\$ 99,766	\$ 584,252

If the Sun Valley Police Department were to continue the current level of service through 2031, an additional 3 officers would need to be hired. As shown above, the total cost of the Sun Valley Police Department’s Capital Improvement Plan from 2021-2030 is approximately \$684,018. 89,766 of this amount is directly related to supporting the 3 new officer positions and related support staff need to continue the current level of service of 8 officers per 1,000 residents. This includes office space, patrol vehicles and ancillary equipment.

The cost of impact fee-related research is impact-fee eligible according to statute and is added to the total cost of the growth-related CIP, resulting in \$90,766 to be collected from impact fees over the next ten years.

The remaining \$584,252 in the CIP includes the non-growth portion of the office expansion for the Police Department, as well as the price for the Police Department to replace existing vehicles and equipment. The Police Department will therefore have to use other sources of revenue including all of those listed in Idaho Code 67-8207(I)(iv)(2)(h).

7. What impact fee is required to pay for the new capital improvements?

The following Exhibit III-3 takes the projected future growth from Exhibits II-1 and the growth-related CIP from Exhibit III-2 to calculate impact fees for the Sun Valley Police Department.

**Exhibit III-3.
Sun Valley Police Department Fee Calculation**

Impact Fee Calculation	
Amount to Include in Fee Calculation	\$ 99,766
Distribution of Future Land Use Growth	
Residential	90%
Nonresidential	10%
Future Assets by Land Use	
Residential	\$ 89,923
Nonresidential	\$ 9,843
Future Land Use Growth	
Residential	300
Nonresidential	200,000
Impact Fee per Unit	
Residential	\$ 300
Nonresidential	\$ 0.05

As shown above, we have calculated impact fees for the Sun Valley Police Department at \$300 per residential unit and \$0.05 per nonresidential square foot, which is similar to the amount already paid into the existing capital by existing taxpayers.

Fees not to exceed these amounts are recommended for the Department. The Department cannot assess fees greater than the amounts shown above. The Department may assess fees lower than these amounts, but would then experience a decline in service levels unless the Department used other revenues to make up the difference.

Section IV. Fire Department

In this section, we calculate impact fees for the City of Sun Valley Fire Department following the seven-question method outlined in Section I of this report.

1. Who is currently served by the Sun Valley Fire Department?

As shown in Exhibit II-1, the Fire Department currently serves 2,656 residential units and approximately 727,126 square feet of nonresidential land use found within Sun Valley.

2. What is the current level of service provided by the Sun Valley Fire Department?

Sun Valley's Fire Department provides a level of service of a response time of 5 minutes and 31 seconds to its residents. As the City grows, additional infrastructure and equipment will be needed to retain the Department's level of service.

3. What current assets allow the Sun Valley Fire Department to provide this level of service?

The following Exhibit IV-2 displays the current assets of the Sun Valley Fire Department.

Exhibit IV-2. Current Assets – Sun Valley Fire Department

Type of Capital Infrastructure	Square Feet	Replacement Value
Facilities		
Elkhorn Station	8,838	\$ 8,734,052
City Hall Station	3,000	\$ 5,285,829
Apparatus/Vehicles		
1 Engine		\$ 800,000
1 Pumper/Tender		\$ 900,000
1 Ladder Truck		\$ 1,400,000
3 Wildland Apparatus		\$ 700,000
1 Tender		\$ 350,000
2 Command Vehicles		\$ 120,000
1 Support Vehicle		\$ 65,000
Backcountry Rescue Trailer		\$ 85,000
Equipment		
4 SCBAs for Wildland Apparatus		\$ 140,000
2 Thermal Imagers		\$ 110,000
Bauer Compressor breathing air module		\$ 50,000
	11,838	\$ 18,739,881
Plus Impact Fee Study		\$ 10,000
TOTAL CURRENT INVESTMENT		\$ 18,749,881

As shown above, the Sun Valley Fire Department currently owns approximately \$18.8 million of eligible current assets. These assets are used to provide the current level of service.

4. What is the current investment per residential unit and nonresidential square foot?

The Sun Valley Fire Department has already invested \$6,445 per residential unit and \$2.58 per nonresidential square foot. This figure is derived by allocating the value of the Fire Department’s current assets between the current number of residential units and nonresidential square feet.

5. What future growth is expected in the Sun Valley Fire Department?

As shown in Exhibit II-1, the City of Sun Valley is expected to grow by 300 residential units and 200,000 square feet of nonresidential land use over the next ten years.

More important than the number of new development units is their location. Fire stations are sited to ensure travel times are within desired service levels. As areas outside of the coverage areas of existing stations grow, additional stations are added to fill the service response gaps.

6. What new infrastructure is required to serve future growth?

In Sun Valley, firefighting crews are located at the Elkhorn station on Arrowleaf Road as this station is the only station in Sun Valley that is large enough to house the ladder truck. Due to the growth the City is experiencing in both residential and commercial development, particularly with respect to development by the Sun Valley Resort where commercial hotel structures and dorm facilities are located, a ladder truck and ladder truck company must be relocated to the Northwest side of Elkhorn hill.

The following Exhibit IV-3 displays the capital improvements planned for purchase by the Sun Valley Fire Department over the next ten years.

**Exhibit IV-3.
Sun Valley Fire Department CIP 2021-2030**

Type of Capital Infrastructure	Square Feet	CIP Value	Growth Portion	10 Year Portion	Amount to Include in Fees	Amount from Other Sources
Facilities						
Relocate City Hall Station	5,097	\$ 6,778,167	0%		\$ -	\$ 6,778,167
Expand Station to Accommodate Current Growth	11,712	\$ 6,383,733	100%	50%	\$ 3,191,867	\$ 3,191,867
Apparatus/Vehicles						
Wildland Engine		\$ 450,000	100%	100%	\$ 450,000	\$ -
Replace 2 Engines		\$ 1,600,000	0%		\$ -	\$ 1,600,000
Replace Support Vehicles		\$ 52,000	0%		\$ -	\$ 52,000
Equipment						
Additional SCBAs for Growth		\$ 25,000	100%	100%	\$ 25,000	\$ -
		SUBTOTAL			\$ 3,666,867	\$ 11,622,033
Plus Cost of Capital-Related Research						
Impact Fee Study		\$ 10,000	100%		\$ 10,000	\$ -
		TOTAL			\$ 3,676,867	\$ 11,622,033

The Sun Valley Fire Department plans to purchase approximately \$15.3 million in stations, apparatus and equipment over the next ten years, \$3.7 million of which is impact fee eligible. This amount includes \$3.2 million, or 50% of the growth-related portion of the relocation/expansion of the current City Hall station. The remaining \$3.2 million, or 50% of the

growth-related portion of the relocation/expansion of the current City Hall station, will be collected from growth in 2031-2040. The remaining \$475,000 is for a wildland engine and SCBAs needed for the additional firefighters that will be hired to address the demands of growth.

The cost of impact fee-related research is impact-fee eligible according to statute and is added to the total cost of the growth-related CIP. These new assets will allow the Sun Valley Fire Department sustain the current level of service in the future. The commencement and completion dates for the Fire Department’s growth-related capital infrastructure depend on the timing and pace of the projected growth.

The remaining \$11.6 million includes \$6.7 million for the non-growth portion of the City Hall Fire Station relocation, \$3.2 million that will need to be “fronted” by other city funding sources but repaid by impact fees collected in 2031-2040, and the cost to replace two existing engines and support vehicles. Replacement of existing capital is not eligible for inclusion in the impact fee calculations. The Department will therefore have to use other sources of revenue including all of those listed in Idaho Code 67- 8207(iv)(2)(h).

7. What impact fee is required to pay for the new capital improvements?

The following Exhibit IV-4 takes the projected future growth from Exhibit II-1 and the growth-related CIP from Exhibit IV-3 to calculate impact fees for the Sun Valley Fire Department.

**Exhibit IV-4.
Sun Valley Fire Department Fee Calculation**

Impact Fee Calculation	
Amount to Include in Fee Calculation	\$3,676,867
Distribution of Future Land Use Growth	
Residential	79%
Nonresidential	21%
Future Assets by Land Use	
Residential	\$ 2,902,789
Nonresidential	\$ 774,077
Future Land Use Growth	
Residential	300
Nonresidential	200,000
Impact Fee per Unit	
Residential	\$ 9,676
Nonresidential	\$ 3.87

As shown above, we have calculated impact fees for the Sun Valley Fire Department at \$9,676 per residential unit and \$3.87 per nonresidential square foot. Fees not to exceed these amounts are recommended for the Department. The Department cannot assess fees greater than the amounts shown above. The Department may assess fees lower than these amounts, but would then experience a decline in service levels unless the Department used other revenues to make up the difference.

Section V. Summary

The following Exhibit V-1 summarizes the calculated Impact Fees for the City of Sun Valley.

Exhibit V-1. City of Sun Valley Impact Fee Summary

TOTAL IMPACT FEE	
Police Fees	
Residential	\$ 300
Nonresidential	\$ 0.05
Fire Fees	
Residential	\$ 9,676
Nonresidential	\$ 3.87
TOTAL IMPACT FEE	
Single-Family	\$ 9,976
Non-Residential	\$ 3.92

City Participation

Because not all the capital improvements listed in the CIPs are 100 percent growth-related, the City would assume the responsibility of paying for those portions of the capital improvements that are not attributable to new growth. These payments would come from other sources of revenue including all of those listed in Idaho Code 67-8207(iv)(2)(h).

To arrive at this participation amount, the expected impact fee revenue and any shared facility amount need to be subtracted from the total CIP value. Exhibit V-2 divides the City's participation amount into two categories: the portion of purely non-growth-related improvements, and the portion of growth-related improvements that are attributable to repair, replacement, or upgrade, but are not impact fee eligible.

It should be noted that the participation amount associated with purely non-growth improvements is discretionary. The City can choose not to fund these capital improvements (although this could result in a decrease in the level of service if the deferred repairs or replacements were urgent). However, the non-growth-related portion of improvements that are impact fee eligible *must* be funded in order to maintain the integrity of the impact fee program.

Exhibit V-2.
City of Sun Valley Participation Summary, 2021-2030

	Required	Discretionary	Total
Police	\$ 25,000	\$ 559,252	\$ 584,252
Fire	\$ 9,970,033	\$ 1,652,000	\$ 11,622,033
TOTAL	\$ 9,995,033	\$ 2,211,252	\$ 12,206,285

The total amount the City would be *required* to contribute over 10 years, should the City adopt fees at the calculated amount, would be approximately \$10 million: \$6.8 million for the non-growth portions of the police administration space and new fire station, plus the \$3.2 million the city will have to “front” for the 2031-2040 portion of the growth-related expansion of the new fire station. This \$3.2 million will be recovered through impact fees collected in 2031-2040. The City has the discretion to also fund the \$2.2 million for vehicle and equipment replacement in Police and Fire over the 10-year period.

Implementation Recommendations

As City Council evaluates whether or not to adopt the Capital Improvement Plans and impact fees presented in this report, we also offer the following information for your consideration. Please note that this information will be included each individual impact fee enabling ordinance.

Capital Improvements Plan. Should the Advisory Committee recommend this study to City Council and should City Council adopt the study, the City should revise its existing Capital Improvement Plans using the information in this study. A revised capital improvement plan would then be presented to the City for adoption as an element of the Comprehensive Plan pursuant to the procedures of the Local Land Use Planning Act.

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, City Council should review the proposed Impact Fee Ordinance for adoption as reviewed and recommended by the Advisory Committee.

Advisory Committee. The Advisory Committee is in a unique position to work with and advise City Council to ensure that the capital improvement plans and impact fees are routinely reviewed and modified as appropriate.

Impact fee service area. Some municipalities have fee differentials for various city zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the City assess different fees by dividing the areas into zones. The capital improvements identified in this report inherently serve a system-wide function.

Specialized assessments. If permit applicants are concerned they might be paying more than their fair share of future infrastructure purchases, the applicant can request an individualized assessment to ensure they will only be paying their proportional share. The applicant would be required to prepare and pay for all costs related to such an assessment.

Donations. If the City receives donations for capital improvements listed on the CIP, they must account for the donation in one of two ways. If the donation is for a non- or partially growth-related improvement, the donation can contribute to the City's General Fund participation along with more traditional forms, such as revenue transfers from the General Fund. If, however, the donation is for a growth-related project in the CIP, the donor's impact fees should be reduced dollar for dollar. This means that the City will either credit the donor or reimburse the donor for that portion of the impact fee.

Grants. If a grant is expected and regular, the growth-related portion of that grant amount should be reflected upfront in the fee calculations, meaning that the impact fees will be lower in anticipation of the contribution. If the grant is speculative or uncertain, this should not be reflected up-front in the fee calculations since the entity cannot count on those dollars as it undergoes capital planning.

The rational nexus is still maintained because the unexpected higher fund balance, due to the receipt of a grant, is deducted from the calculations as a "down payment on the CIP" when the fee study is updated.

Credit/reimbursement. If a developer constructs or contributes all or part of a growth-related project that would otherwise be financed with impact fees, that developer must receive a credit against the fees owed for this category or, at the developer's choice, be reimbursed from impact fees collected in the future.³⁷ This prevents "double dipping" by the City.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the City aware of the construction or contribution. If credit or reimbursement is due, the governmental entity must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.³⁸

Impact fee accounting. The City should maintain Impact Fee Funds separate and apart from the General Fund. All current and future impact fee revenue should be immediately deposited into this account and withdrawn only to pay for growth-related capital improvements of the same category. General Funds should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth.

Spending policy. The City should establish and adhere to a policy governing their expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for any operational expenses and the repair and replacement or upgrade of existing infrastructure not necessitated by growth. In cases when *growth-related capital improvements are constructed*, impact fees are an allowable revenue source as long as only new growth is served. In cases when new capital improvements are expected to *partially replace existing capacity and to partially serve new growth*, cost sharing between the General Fund or other sources of revenue listed in Idaho Code 67-8207(I)(iv), (2)(h) and Impact Fee Fund should be allowed on a pro rata basis.

Update procedures. The City is expected to grow rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the City invests in additional infrastructure beyond what is listed in this report, and/or as the City's projected development changes significantly. Fees can be updated on an annual basis using an inflation

factor for building material from a reputable source such as McGraw Hill's Engineering News Record. As described in Idaho Code 67-8205(3)(c)(d)(e), the Advisory Committee will play an important role in these updates and reviews.

³⁷ See Section 67-8209(3), Idaho Code.

³⁸ See Section 67-8209(4), Idaho Code.